

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**
FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

0 3 — 0 1 6

2. STATE:

Iowa

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

July 1, 2003

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 447.333

7. FEDERAL BUDGET IMPACT:

a. FFY 03 \$ (2,226)
b. FFY 03 \$ (9,128)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-B, pages 7 and 7a

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

Attachment 4.19-B, pages 7 and 7A

Iowa (03-016)
Approved: 01/06/04
Effective: 07/01/03

10. SUBJECT OF AMENDMENT:

Reduces the estimated acquisition cost reimbursed to providers, reduces the professional dispensing fee paid to providers and adjusts the multiplier used to adjust the average acquisition cost to calculate the State Maximum Allowable Cost for prescription drugs.

11. GOVERNOR'S REVIEW (Check One):

☒ GOVERNOR'S OFFICE REPORTED NO COMMENT☐ OTHER, AS SPECIFIED:☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL:

Kevin W. Concannon

13. TYPED NAME:

Kevin W. Concannon

14. TITLE:

Director

15. DATE SUBMITTED:

September 16, 2003

16. RETURN TO:

Director
Iowa Department of Human Services
Hoover State Office Building, 5th Floor
Des Moines, Iowa 50319

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

September 22, 2003

18. DATE APPROVED:

JAN 06 2004

19. EFFECTIVE DATE OF APPROVED MATERIAL:

JUL 01 2003

IF AN APPROVED - ONE COPY ATTACHED

21. TYPED NAME:

Thomas W. Lenz

22. TITLE:

AR for Div of Medicaid and Children's Health

23. REMARKS:

57-1119 22 JES CD

Methods and Standards for Establishing Payment Rates for Other Types of Care**Prescribed Drugs**

The amount of payment shall be based on several factors, subject to the upper limits in 42 CFR 447.331-332 as amended.

- a. Reimbursement for covered prescription drugs shall be the lowest of the following as of the date of dispensing:

(1) "Estimated acquisition cost (EAC)", defined as the average wholesale price as published by First Data Bank less 12 percent, plus the professional dispensing fee.

(2) "Maximum allowable cost (MAC)", defined as the upper limit for multiple source drugs established in accordance with the methodology of the Centers for Medicare and Medicaid Service as described in 42 CFR 447.332, plus the professional dispensing fee.

(3) "State maximum allowable cost (SMAC)", reimbursement is assigned to certain drug products meeting therapeutic equivalency, market availability, or other criteria determined appropriate by the Department of Human Services. SMAC fees are based on the prices at which affected drugs are widely and consistently available to pharmacy providers enrolled in the Iowa Medicaid program, adjusted as determined appropriate by the Department. SMAC limits set by the State in aggregate are equal to or less than applicable Federal Upper Limits, in compliance with Federal law. The Department's discretion to establish and apply SMAC fees to drugs, determine criteria for drugs subject to the SMAC, adjust SMAC fees or other policy or procedural elements of the SMAC, or otherwise direct the SMAC program is in accordance with applicable State and Federal law.

(4) Submitted charge, representing the provider's usual and customary charge for the drug.

- b. Subject to prior authorization requirements, if a physician certifies in the physician's handwriting that, in the physician's medical judgment, a specific brand is medically necessary for a particular recipient, the MAC or SMAC does not apply and the payment equals the lesser of EAC or submitted charges. If a physician does not so certify, the payment for the product will be the lower of MAC or SMAC.

- c. No payment shall be made for sales tax.

State Plan TN No. MS-03-16

Supersedes TN No. MS-02-24

Effective

Approved

JUL 01 2003

JAN 06 2004

Methods and Standards for Establishing Payment Rates for Other Types of Care**Prescribed Drugs (Cont.)**

- d. All hospitals which wish to administer vaccines which are available through the vaccines for children program to Medicaid recipients shall enroll in the vaccines for children program. In lieu of payment, vaccines available through the vaccines for children program shall be accessed from the department of public health for Medicaid recipients. Hospitals receive reimbursement for the administration of vaccines to Medicaid recipients through the DRG reimbursement for inpatients and APG reimbursement for outpatients.
- e. The basis of payment for nonprescription drugs shall be the same as specified in paragraph "a" except that the department shall establish a maximum allowable reimbursable cost for these drugs using the average wholesale prices of the chemically equivalent products available. The department shall set the maximum allowable reimbursable cost at the median of those average wholesale prices. No exceptions for higher reimbursement will be approved.
- ~~f. An additional reimbursement amount of one cent per dose shall be added to the allowable~~
ingredient cost of a prescription for an oral solid if the drug is dispensed to a patient in a nursing home in unit dose packaging prepared by a pharmacist.
- g. For services rendered after July 1, 2003, the professional dispensing fee is equal to \$4.26.
- h. For purposes of prescription drug reimbursement, equivalent products are those that meet therapeutic equivalent standards as published in the federal Food and Drug Administration document, "Approved Prescription Drug Products With Therapeutic Equivalence Evaluations."
- i. Pharmacies and providers that are enrolled in the Iowa Medicaid program are required to make available and submit to the department or its designee, drug acquisition cost information, product availability information, or other information deemed necessary by the department for the determination of reimbursement rates and the efficient operation of the pharmacy benefit. Pharmacies and providers will submit information to the department or its designee within 30 days following a request for such information unless the department or its designee grants an extension upon written request of the pharmacy or provider. Pharmacies and providers are required to produce and submit information in the manner and format requested by the department or its designee, as requested, at no cost to the department or its designee.